

**THE MARY CAMPBELL CENTER  
AUDIT REPORT  
MEDICAID COST REPORT AND  
NURSING WAGE SURVEY**

**JUNE 30, 2005**

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Thomas John Shopa, CPA, CFP, CVA  
Charles H. Elter, CPA, CFP  
Robert S. Smith, CPA  
Ronald E. Derr, CPA  
George G. Fournaris, CPA, CGFM

■  
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Alison L. Houck, CPA

Members of:  
American Institute of CPA's  
Private Companies Practice Section  
Delaware Society of CPA's

Certified Public Accountants  
A Professional Association

270 Presidential Drive  
Wilmington, DE 19807  
(302) 656-5500  
(302) 656-8024 Fax

37212 Rehoboth Avenue Ext.  
Rehoboth Beach, DE 19971  
(302) 227-4872  
(302) 227-4873 Fax  
[www.mcbrideshopa.com](http://www.mcbrideshopa.com)

## Independent Auditors' Report

State of Delaware  
Office of Auditor of Accounts  
Dover, Delaware

We have audited the Statement of Reimbursement Cost for Skilled and Intermediate Care Nursing Facilities – Title XIX, pages 2 through 6 (the Cost Report) and Nursing Wage Survey (the Survey) of The Mary Campbell Center (the Facility) for the year ended June 30, 2005. The Cost Report and Survey are the responsibility of the Facility's management. Our responsibility is to express an opinion on the Cost Report and Survey based on our audit, which are not affixed hereto.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Cost Report and Survey are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Cost Report and Survey. An audit also includes assessing the accounting principles and Medicaid principles of cost reimbursement used and significant estimates made by management, as well as evaluation of the overall presentation of the Cost Report and Survey. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, except for the accompanying Schedule of Adjustments, the Cost Report and Survey of The Mary Campbell Center referred to above presents fairly, in all material respects, the reimbursement costs of the Facility for the year ended June 30, 2005 in conformity with accounting principles generally accepted in the United States of America and Medicaid principles of cost reimbursement.

## Independent Auditors' Report (Cont'd.)

In accordance with *Government Auditing Standards*, we also issued our report dated September 5, 2007, on our consideration of the Facility's internal control over reporting for the Cost Report and Survey and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*McBride, Shopa & Co*

Wilmington, Delaware  
September 5, 2007

MARY CAMPBELL CENTER

SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT  
COST FOR SKILLED AND INTERMEDIATE CARE NURSING FACILITIES - TITLE XIX  
AND ADJUSTMENTS TO THE NURSING WAGE SURVEY

YEAR ENDED JUNE 30, 2005

ICF/MR UNIT

<u>Description</u>	<u>Page</u>	<u>Line</u>	<u>As Filed Amount</u>	<u>Audit Adjustments No. Amount</u>	<u>Adjusted Amount</u>	<u>Adjusted Cost Per Day</u>	<u>Note Ref.</u>
<b><u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u></b>							
<i>Primary Patient Care Costs - unadjusted (lines 1-5)</i>	2	5	\$ 2,209,989	\$ -	\$ 2,209,989	\$ 118.92	
<i>Secondary Patient Care Costs - unadjusted (lines 6-14)</i>	2	14	780,098	-	780,098	41.98	
<i>Support Service Costs (lines 15-22)</i>							
Operation and Maintenance of Facility	2	16	418,667	1 (6,280)	412,387		O-2
Unadjusted lines	2	15,17-21	<u>1,119,712</u>	<u>-</u>	<u>1,119,712</u>		
<b>Subtotal - Support Service Costs</b>	2	22	<b>1,538,379</b>	<b>(6,280)</b>	<b>1,532,099</b>	<b>82.44</b>	
<i>Administrative &amp; Routine Costs - unadjusted (lines 23-32)</i>	3	32	1,002,170	-	1,002,170	53.93	
<i>Capital Costs (lines 33-39)</i>							
Depreciation	3	36	294,961	1 (17,125)	277,836		O-1,O-2
Unadjusted lines	3	33-35,37-39	<u>11,728</u>	<u>-</u>	<u>11,728</u>		
<b>Subtotal - Capital Costs</b>	3	39	<b>306,689</b>	<b>(17,125)</b>	<b>289,564</b>	<b>15.58</b>	
<b>SUBTOTAL</b>	3	40	<b>5,837,325</b>	<b>(23,405)</b>	<b>5,813,920</b>	<b>312.85</b>	
<i>Ancillary Costs - unadjusted (lines 41-49)</i>	3	49	-	-	-	-	
<i>Other Costs - unadjusted (lines 50-52)</i>	3	52	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>TOTAL COSTS</b>	3	53	<b>\$ 5,837,325</b>	<b>\$ (23,405)</b>	<b>\$ 5,813,920</b>	<b>\$ 312.85</b>	

**PART II - COST REPORT PATIENT DAYS**

Total bed days available	6	4	18,944	-	18,944
90% minimum census threshold	6	-	17,050	-	17,050
Total census days	6	5E	18,584	-	<b>18,584</b>

**PART III - NURSING WAGE SURVEY**

No Adjustments

**PART IV - DETAILED EXPLANATION OF ADJUSTMENTS**

**Adjustments affecting other areas (O):**

- O-1** To remove depreciation expense directly related to the Children & Youth Program.
- O-2** To remove unallowable expenditures relating to the Children & Youth Program.

MARY CAMPBELL CENTER

SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT  
COST FOR SKILLED AND INTERMEDIATE CARE NURSING FACILITIES - TITLE XIX  
AND ADJUSTMENTS TO THE NURSING WAGE SURVEY

YEAR ENDED JUNE 30, 2005

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<b><u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u></b>							
<i>Primary Patient Care Costs - unadjusted (lines 1-5)</i>	2	5	\$ 475,218	\$ -	\$ 475,218	\$ 130.38	
<i>Secondary Patient Care Costs - unadjusted (lines 6-14)</i>	2	14	173,294	-	173,294	47.54	
<i>Support Service Costs (lines 15-22)</i>							
Operation and Maintenance of Facility	2	16	90,027	1 (1,350)	88,677		O-2
Unadjusted lines	2	15,17-21	<u>239,968</u>	<u>-</u>	<u>239,968</u>		
<b>Subtotal - Support Service Costs</b>	<b>2</b>	<b>22</b>	<b>329,995</b>	<b>(1,350)</b>	<b>328,645</b>	<b>90.16</b>	
<i>Administrative &amp; Routine Costs - unadjusted (lines 23-32)</i>	3	32	215,462	-	215,462	59.11	
<i>Capital Costs (lines 33-39)</i>							
Depreciation	3	36	63,426	1 (3,683)	59,743		O-1,O-2
Unadjusted lines	3	33-35,37-39	<u>2,522</u>	<u>-</u>	<u>2,522</u>		
<b>Subtotal - Capital Costs</b>	<b>3</b>	<b>39</b>	<b>65,948</b>	<b>(3,683)</b>	<b>62,265</b>	<b>17.08</b>	
<b>SUBTOTAL</b>	<b>3</b>	<b>40</b>	<b>1,259,917</b>	<b>(5,033)</b>	<b>1,254,884</b>	<b>344.28</b>	
<i>Ancillary Costs - unadjusted (lines 41-49)</i>	3	49	-	-	-	-	
<i>Other Costs - unadjusted (lines 50-52)</i>	3	52	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>TOTAL COSTS</b>	<b>3</b>	<b>53</b>	<b>\$ 1,259,917</b>	<b>\$ (5,033)</b>	<b>\$ 1,254,884</b>	<b>\$ 344.28</b>	

**PART II - COST REPORT PATIENT DAYS**

Total bed days available	6	4	3,812	-	3,812
90% minimum census threshold	6	-	3,431	-	3,431
Total census days	6	5E	3,645	-	<b>3,645</b>

**PART III - NURSING WAGE SURVEY**

No Adjustments

**PART IV - DETAILED EXPLANATION OF ADJUSTMENTS**

**Adjustments affecting other areas (O):**

- O-1** To remove depreciation expense directly related to the Children & Youth Program.
- O-2** To remove unallowable expenditures relating to the Children & Youth Program.

MARY CAMPBELL CENTER

SCHEDULE OF ADJUSTMENTS TO THE STATEMENT OF REIMBURSEMENT  
COST FOR SKILLED AND INTERMEDIATE CARE NURSING FACILITIES - TITLE XIX  
AND ADJUSTMENTS TO THE NURSING WAGE SURVEY

YEAR ENDED JUNE 30, 2005

N/F UNIT

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<b><u>PART I - COST REPORT TRIAL BALANCE AND ADJUSTMENTS</u></b>								
<i>Primary Patient Care Costs - unadjusted (lines 1-5)</i>	2	5	\$ 130,066		\$ -	\$ 130,066	\$ 118.78	
<i>Secondary Patient Care Costs - unadjusted (lines 6-14)</i>	2	14	31,328		-	31,328	28.61	
<i>Support Service Costs (lines 15-22)</i>								
Operation and Maintenance of Facility	2	16	24,640	1	(370)	24,270		O-2
Unadjusted lines	2	15,17-21	<u>65,899</u>		<u>-</u>	<u>65,899</u>		
<b>Subtotal - Support Service Costs</b>	2	22	<b>90,539</b>		<b>(370)</b>	<b>90,169</b>	<b>82.35</b>	
<i>Administrative &amp; Routine Costs - unadjusted (lines 23-32)</i>	3	32	58,981		-	58,981	53.86	
<i>Capital Costs (lines 33-39)</i>								
Depreciation	3	36	17,359	1	(1,518)	15,841		O-1,O-2
Unadjusted lines	3	33-35,37-39	<u>691</u>		<u>-</u>	<u>691</u>		
<b>Subtotal - Capital Costs</b>	3	39	<b>18,050</b>		<b>(1,518)</b>	<b>16,532</b>	<b>15.10</b>	
<b>SUBTOTAL</b>	3	40	<b>328,964</b>		<b>(1,888)</b>	<b>327,076</b>	<b>298.70</b>	
<i>Ancillary Costs - unadjusted (lines 41-49)</i>	3	49	-		-	-	-	
<i>Other Costs - unadjusted (lines 50-52)</i>	3	52	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	
<b>TOTAL COSTS</b>	3	53	<b>\$ 328,964</b>		<b>\$ (1,888)</b>	<b>\$ 327,076</b>	<b>\$ 298.70</b>	

**PART II - COST REPORT PATIENT DAYS**

Total bed days available	6	4	1,095	-	1,095
90% minimum census threshold	6	-	986	-	986
Total census days	6	5E	1,095	-	<b>1,095</b>

**PART III - NURSING WAGE SURVEY**

No Adjustments

**PART IV - DETAILED EXPLANATION OF ADJUSTMENTS**

**Adjustments affecting other areas (O):**

- O-1** To remove depreciation expense directly related to the Children & Youth Program.
- O-2** To remove unallowable expenditures relating to the Children & Youth Program.

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON A FINANCIAL AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

State of Delaware  
Office of Auditor of Accounts  
Department of Health & Social Services  
Division of Social Services Medicaid  
Dover, Delaware

We have audited the Statement of Reimbursement Costs for Skilled and Intermediate Care Nursing Facilities – Title XIX, pages 2 through 6 (the Cost Report) and the Nursing Wage Survey (the Survey) for The Mary Campbell Center (the Facility) for the year ended June 30, 2005, and have issued our report thereon dated September 5, 2007, which was qualified due to the required adjustments reported in the Schedule of Adjustments accompanying it. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

### Internal Control Over Reporting

In planning and performing our audit, we considered the Facility's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Cost Report and Survey and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to the Cost Report and Survey being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

Thomas John Shopa, CPA, CFP, CVA  
Charles H. Elter, CPA, CFP  
Robert S. Smith, CPA  
Ronald E. Derr, CPA  
George G. Fournaris, CPA, CGFM

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(302) 656-8024 Fax

37212 Rehoboth Avenue Ext.  
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(302) 227-4873 Fax  
www.mcbrideshopa.com



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Facility's Cost Report and Survey are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of reported amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters involving instances of immaterial noncompliance and nonreportable conditions or other matters involving internal control over reporting that came to our attention:

**Problem:** In its plant ledger, the facility includes several assets which cost less than \$5,000, the allowable capitalization minimum for Medicare and Medicaid purposes. All assets in the plant ledger must be depreciated over their estimated useful lives, requiring several years before costs can be recovered through Medicare and Medicaid reimbursement. Further, the added volume of assets increases the recordkeeping burden of maintaining the plant ledger.

**Suggestion:** Management should consider increasing its capitalization floor to \$5,000 to allow increased reimbursement in the year of smaller asset purchases and reduce the future burden of maintaining its plant ledger.

\* \* \* \* \*

**Problem:** All of the assets selected for testing which were acquired during the fiscal year ended June 30, 2005 had useful lives that were substantially higher than the AHA guidelines. This resulted in a potential understatement of depreciation expense on the cost report.

**Suggestion:** To increase allowable depreciation, Management may consider selecting lower useful lives of fixed assets using the AHA guidelines.

\* \* \* \* \*

Problem: Certain expenses relating to the Children & Youth Program were not properly excluded from the cost report.

Suggestion: Management should carefully review cost centers to make sure that all costs attributable to the Children & Youth Program are excluded from the cost report.

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The Facility has reviewed the above matters and the Schedule of Adjustments. Written responses received by us during the comment period were considered and, if acceptable, mutually agreed-upon modifications have been reflected in our reports. Any further modifications and administrative follow-up will be handled by the Department of Health and Social Services of the State of Delaware.

This report is intended solely for the information and use of the Office of Auditor of Accounts of the State of Delaware, the Department of Health and Social Services of the State of Delaware and the Board of Directors and management of Mary Campbell Center Center, Office of the Governor, Office of the Controller General, Office of the Attorney General, Office of the Budget, and the Department of Finance. However, under 29 Del. C. Section 10002, this report is public record and its distribution is not limited.

*McBride, Shopa & Co*

Wilmington, Delaware  
September 5, 2007

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